BOOK REVIEWS AND NOTICES

Currency and Credit. By R. G. HAWTREY. London: Longmans, Green & Co., 1919. Pp. 393.

American students will welcome this volume as an able analysis of problems of credit and of the business cycle from the English point of view. The first three chapters contain most of the theoretical material in the book and give the author's views on money and credit. The chief function of money, he believes, is not to serve as a medium of exchange but as a "money of account" or what we in this country would probably term "standard of value" or "pecuniary unit." Credit, especially in the form of bank notes, would supply society with a satisfactory medium of payment but would not provide a stable standard of value. When gold is brought in to give us a stable standard of value, new problems are introduced. Chief of these is the problem of holding the credit in manageable or redeemable ratio to the gold.

A banker is a dealer in debts and credits. While in law a debt is payable in money, yet in actual practice nearly all debts are settled by entries on the books of the bankers. This holds true not only in the same city, and not only in the same country, but internationally as well. Bank credit, in the author's view, does not serve chiefly as a medium of exchange, but as an aid to production and merchandising. Originating in production, this credit is extinguished in consumption. Consumers' purchasing power is largely supplied out of credits which the bank furnishes to manufacturers and merchants.

In the discussion of the quantity theory the author holds that little is gained by introducing the "velocity of circulation" and "total money transactions" (V, V′, and T). "The quantity theory is not in strictness concerned with varying conditions at all, but merely with the determination of the value of the monetary unit when all other conditions are fixed."

The next group of chapters deals with foreign exchange and testifies to the author's familiarity with the practical aspects of foreign banking. The next section (chapters viii–xii) deals with financial and business crises, and shows the important rôle which credit plays in the ups and downs of

the cycle. The last part of the book deals with credit conditions during and since the Great War. Hawtrey believes that the problem of getting back to the gold standard resolves itself into: first—the government liquidating its floating debt, preferably by taxation rather than funding, so as to force reduced consumption; second—so to stimulate the replacement of fixed and working capital, depleted by war, as to restore the productive power and hence the tax-paying ability of the nation. He clearly sees that these two desiderata may conflict but thinks that England will work herself back to the gold standard at a permanently higher price level than 1914.

What are the outstanding features of the work? The answer is that the outstanding strength is the author's wide range of historical and current information about credit conditions, coupled with his incisive analysis of these facts and their application to a country so dependent on foreign trade as England. The outstanding weaknesses are first, the attributing of too much power to a changed rate of interest; and second, the attempt to force the quantity theory of money into line with the facts of the business cycle.

As to the first weakness, the author in the first chapter seems to ascribe almost omnipotence to a high interest rate in halting a price rise when a boom period is culminating, and likewise in stimulating business activity when depression is on. The rediscount rate is important; possibly more important with the Bank of England than with our Federal Reserve banks. But many students do not give it more weight, indeed some would give it much less weight, than other factors such as the decline in the purchasing power of the mass of consumers, caused by the lag of wage rates behind commodity prices, and resulting in a decline of orders on the books.

As to the second point, what to the reviewer seems the most disappointing feature of an otherwise excellent work, is the attempt to square the quantity theory with the price changes of a business cycle. The quantity theory in its general form is essentially a static theory, while a business cycle is a dynamic phenomenon. The author describes the ups and downs of business as these might appear to the banker; when business is expanding the quantity of credit expands to keep pace or to finance the increase of business. To the author, at this point, the quantity of credit is clearly enough a result, not a cause of the price increases. Later comes the "about face" (speaking of war finance), "as soon as gold payments are suspended and the creation of redundant

credits proceeds without limit the prices of commodities begin to rise indefinitely" (p. 227). Here he seems to assume that credit is pumped into circulation without regard to the needs of business. If he were as careful in his thinking here as he is at most points, he might have discovered, as many critics of the quantity theory point out, that perfectly good antecedent causes could have been found for the rise in prices. It might be suggested, for example, that increasing demands for both war goods and consumers' goods, coupled with a relative scarcity of the former and an absolute scarcity of the latter, had more to do with rising prices than did the increased quantity of credit. It is conceivable that government price-fixing itself deliberately raised prices much above pre-war levels, necessitating a great expansion in the volume of credit.

Mr. Hawtrey's theory of a crisis may be, partially at least, summed up in a sentence: "The crisis probably originated in a dearth of legal tender money, necessitating a contraction of credit" (p. 152). Throughout the book the emphasis is, consistently enough perhaps, on the two terms used in the title of the book. However, one might question whether there are not other factors than a dearth of money worthy of consideration in stopping a boom and ushering in a crisis or a depression. Failure of wages to advance with prices, "buyers strikes," crop failures, inefficiency of labor, foreign conditions, might all be suggested as worthy of coming into the picture. One wishes that Mr. Hawtrey would bring his incisive analysis and reasoning to bear on some of these non-currency aspects of the cycle.

Two minor points might be mentioned. Discussing the contraction of credit, "If there is an accumulation of unexecuted orders, containing the menace of a great latent demand for credit, the arrears of orders must be worked through before the increase in the rate of interest can have any appreciable effect" (p. 108). One cannot help wondering whether this statement is based on a higher standard of business ethics in England than in America or whether he is unaware of the torrent of cancellations that pours forth the instant lower prices become imminent. Secondly, a good many American authorities would disagree vigorously with the statement (p. 204): "A statutory regulation of reserves, such as is established in the United States, does little to promote sound banking."

On the whole, while the book will not prove useful as a text in undergraduate college classes, portions of it will be found extremely

helpful to the advanced student. Of especial value are the chapters on "Credit without Money," "The Mechanism of Foreign Exchange," and "Theory of Banking." In places the book suffers from a ponderous and abstract style. A livelier and more concrete mode of expression would have made the work both more readable and more convincing.

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Training for Store Service. By LUCILE EAVES. Boston: Richard G. Badger, The Gorham Press. Pp. 142.

Training for Store Service by Lucile Eaves, is a vocational, educational survey of the experience and training of juvenile employees of retail department, dry goods, and clothing stores in Boston. It is professional in its approach and treatment, thorough in its scope, and a valuable piece of store research. It should be of help to educators and store executives in handling the employment and training of young people.

It deals principally with the training of workers from fourteen to twenty-one years of age. The contents of the book are developed under these headings: (1) stores as places of employment; (2) store organization; (3) personnel and educational qualifications of juvenile store employees; (4) occupational distribution of young persons employed in Boston retail department, dry goods, and clothing stores and the qualifications desired in persons engaged in chief store occupations; (5) shifting of young store workers; (6) training for employment in retail stores. The book has an appendix of statistical data showing conditions of employment of juvenile store workers and a bibliography at the end that are both very good.

The make-up of the book indicates at first glance that it is likely to be statistical and dry. However the person who will read the book carefully will find that it is not by any means dull but rather is very interesting.

As a whole it is a most helpful contribution on the conditions in the department stores in Boston which are on the whole typical of the better stores in other cities. It is probably true, however, that Boston stores have made more progress in training for store service than is the case with most of the other large cities.

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